

July 25, 2004

MUR # 5496

Federal Elections Commission  
999 E Street, NW  
Washington, DC 20463

To Whom It May Concern:

I am writing to request that the Federal Elections Commission (FEC) launch a formal investigation into the campaign of L. David Huffman, a candidate for U.S. Congress in North Carolina's Tenth District. There are two separate matters in which Mr. Huffman's campaign has very likely committed serious and egregious violations of federal election law. I will detail each of these issues and I request investigation into both.

**1. Loan Impropriety**

A review of Sheriff David Huffman's documents clearly indicates that he is improperly reporting the terms and conditions of the loans to his campaign for Congress. These loans total more than \$260,000.

Sheriff Huffman has reported the following loans on his FEC disclosures:

January 16, 2004	\$6,647.01
March 1, 2004	\$100.00
March 30, 2004	\$100,000.00
May 10, 2004	\$50,000.00
June 9, 2004	\$10,000.00
June 17, 2004	\$100,000.00
<b>TOTAL:</b>	<b>\$266,747.01</b>

All reports state that each loan is from Sheriff David Huffman with no due date (term), no interest rate, and that each loan is NOT secured. By reporting in this manner, Huffman is stating that he provided this money without the use of a loan, line of credit or collateral.

A review of Sheriff Huffman's Financial Disclosure Statement filed with the U.S. House of Representatives, indicates that he does NOT have \$266,747.01 in liquid assets to loan to his campaign. Therefore, he would need to secure some sort of loan arrangement involving another party to make a contribution totaling that amount. In short, this money could NOT have come from himself as he is claiming.

The FEC has definite rules on the terms and conditions of a loan to a campaign and public disclosure ensures that candidates are conducting their campaign in a lawful manner. The *Campaign Guide for Congressional Candidates and Committees*, issued by the FEC, clearly states that candidates **MUST** disclose the details of their loans:

RECEIVED  
FEDERAL ELECTION COMMISSION  
OFFICE OF THE CLERK  
JUL 30 2004

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When a committee obtains a loan from a bank or other permissible lending institution (or the candidate obtains one on behalf of his or her committee), the committee must file Schedule C-1 with the report covering the period in which the loan was obtained.

On May 4, 2004, the FEC sent a letter to Sheriff Huffman's campaign treasurer citing a lack of required information on the loans:

Schedule C of your report fails to include information required by Commission Regulations. With every report submitted, you must provide the date incurred, the original source and amount of the loan, the due date, the interest rate, the cumulative payment, and the outstanding balance. In addition, if there are any endorsers or guarantors, their mailing address along with the name of their employer and occupation must be disclosed. Please amend your report to include the due date and interest rate.

A quote attributed to Sheriff Huffman in a Sunday, July 18, 2004 article in the *Hickory Daily Record* says that his loans are in fact tied to collateral and some lending institution:

"While Moretz has anted the most, Catawba County Sheriff David Huffman may be the local candidate with the most at stake. He borrowed \$266,000, more than 60 percent of his \$423,543 raised, to help fund his campaign. Huffman borrowed \$100,000 against his retirement earlier this year, he said. He says another \$166,000 came from a bank loan."

Had the loan been from a bank, there would have, at the very least, been an interest rate. Yet no interest rate is reported.

Sheriff Huffman is making two conflicting claims: 1.) that the loans are all from himself, and 2.) that some of the loans are from a bank. He does not have the liquid assets to make the loans himself, and there is no interest rate as to indicate the loans came from a bank. These facts raise serious questions about **BOTH** of Sheriff Huffman's conflicting claims.

## **2. Illegal In-kind Donation**

During the course of his campaign, Sheriff Huffman has been selling raffle tickets for \$100 each with all proceeds going to his campaign for a chance to win a 2004 Ford Explorer automobile. One occasion on which the vehicle was documented was on May 29, 2004 at a festival in Hickory, North Carolina (see photograph). The Explorer was parked at Sheriff Huffman's campaign booth with a sign in front of it bearing Huffman's campaign logo and reading:

Win this Car!

Dale Jarrett Ford

2004 Ford Explorer

"Personally autographed by Dale Jarrett"

Retail values \$33,695 – winner pays taxes, fees & tag

Grand Prize Drawing – Primary Election Day, July 20, 2004

8:00pm at Huffman Headquarters – Need not be present to win

\$100.00 contribution to Huffman for Congress

561 Hwy. 70, SW

Hickory, NC 28602

828-322-3288

In order for Huffman's campaign to legally raffle the vehicle, the campaign would have had to purchase the Explorer. However, none of Huffman's FEC reports indicate that his campaign bought a Ford Explorer.


With this fact in mind, the only other option is for someone to have donated the Explorer as an in-kind contribution. If this is the case, a serious violation of campaign finance law has occurred. In regard to in-kind contributions, the *Campaign Guide for Congressional Candidates and Committees* states:

**The value of an in-kind contribution—the usual and normal charge—counts against the same contribution limit as a gift of money.** Additionally, like any other contribution, in-kind contributions count against the donor's limit for the next election, unless they are otherwise designated (see page 12 for more information on designating contributions). 100.52(d)(1) and 100.54.

Since an in-kind contribution is measured by the usual and normal charge, then the Explorer would be valued at the \$33,695 figure stated on the sign. **This figure greatly exceeds the maximum allowable contribution permitted by an individual.**

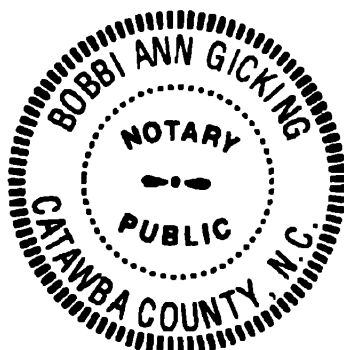
Additionally, as the sign advertised that the vehicle was from Dale Jarrett Ford and still bore a dealer license plate, it begs the question as to whether the Explorer constituted an illegal corporate donation from Dale Jarrett Ford.

Sincerely,

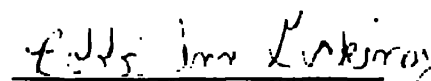


Max W. Baker

Hickory, NC 28601



Signed and sworn to before  
me this 22 day of  
July, 2004.

  
NOTARY PUBLIC

My commission expires:

10/20/04

## SCHEDULE C (FEC Form 3 )

## LOANS

Use separate schedule(s)  
for each category of the  
Detailed Summary Page

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FOR LINE NUMBER:  
(check only one)☒ 13a  
☐ 13bNAME OF COMMITTEE (In Full)  
Huffman for Congress

Transaction ID: SC/10.4081

LOAN SOURCE Full Name (Last, First, Middle Initial) David Huffman, - Personal funds		Election: <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) _____	
Mailing Address P.O. Box 442			
City Newton	State NC	ZIP Code 28655	
Original Amount of Loan 8647.01	Cumulative Payment To Date 0.00	Balance Outstanding at Close of This Period 8647.01	
<b>TERMS</b> Date Insured      Date Due      Interest Rate      Secured: M   M   Y   N   Y   N   % (apr) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No 01   16   2004   None   0   % (apr)			
Use All Endorsers or Guarantors (if any) to Loan Source Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City      State      ZIP Code		Amount Guaranteed Outstanding:	
Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City      State      ZIP Code		Amount Guaranteed Outstanding:	
Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City      State      ZIP Code		Amount Guaranteed Outstanding:	
Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City      State      ZIP Code		Amount Guaranteed Outstanding:	

SUBTOTALS This Period This Page (optional) ..... ▶ 8647.01

TOTALS This Period (last page in this line only) ..... ▶

Carry outstanding balances only to LINE 3, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.

FEC Schedule C (Form 3) Rev. 12/2003

## SCHEDULE C (FEC Form 3 )

## LOANS

Use separate schedule(s)  
for each category of the  
Detailed Summary Page

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FOR LINE NUMBER:  
(check only one)☒ 13a☐ 13bNAME OF COMMITTEE (in Full)  
Huffman for Congress

Transaction ID: 80410.4665

LOAN SOURCE Full Name (Last, First, Middle Initial)

David Huffman, - Personal funds

Election:

☒ Primary☐ General☐ Other (specify) \_\_\_\_\_

Mailing Address P.O. Box 442

City Newton

State NC

ZIP Code 28655

Original Amount of Loan

100.00

Cumulative Payment To Date

0.00

Balance Outstanding at Close of This Period

100.00

## TERMS

Date Incurred

Date Due

Interest Rate

Secured:

03

01

2004

NONE

0

% (ap/)

☐ Yes☒ No

List All Endorsers or Guarantors (if any) to Loan Source

Full Name (Last, First, Middle Initial)

Name of Employer

Mailing Address

Occupation

City

State

ZIP Code

Amount  
Guaranteed  
Outstanding:

Full Name (Last, First, Middle Initial)

Name of Employer

Mailing Address

Occupation

City

State

ZIP Code

Amount  
Guaranteed  
Outstanding:

Full Name (Last, First, Middle Initial)

Name of Employer

Mailing Address

Occupation

City

State

ZIP Code

Amount  
Guaranteed  
Outstanding:

Full Name (Last, First, Middle Initial)

Name of Employer

Mailing Address

Occupation

City

State

ZIP Code

Amount  
Guaranteed  
Outstanding:

SUBTOTALS This Period This Page (optional) ▶

100.00

TOTALS This Period (last page in this line only) ▶

Carry outstanding balances only to LINE 1, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.

FEC Schedule C (Form 3) Rev. 12/2003

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## SCHEDULE C (FEC Form 3 )

## LOANS

Use separate schedule(s)  
for each category of the  
Detailed Summary Page

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FOR LINE NUMBER:  
(check only one)☒ 13a☐ 13bNAME OF COMMITTEE (In Full)  
Huffman for Congress

Transaction ID: 6C/10.4684

LOAN SOURCE Full Name (Last, First, Middle Initial) David Huffman, - Personal funds		Borrower: <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) _____	
Mailing Address P.O. Box 442			
City Newton	State NC	ZIP Code 28855	
Original Amount of Loan 100000.00	Cumulative Payment To Date 0.00	Balance Outstanding at Close of This Period 100000.00	
TERMS 03 " 30 " 2004 " "	Date Incurred NONE	Date Due 0	Interest Rate % (apr)
Secured: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
List All Endorsers or Guarantors (if any) to Loan Source Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City State ZIP Code		Amount Guaranteed Outstanding:	
Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City State ZIP Code		Amount Guaranteed Outstanding:	
Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City State ZIP Code		Amount Guaranteed Outstanding:	
Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City State ZIP Code		Amount Guaranteed Outstanding:	
SUBTOTALS This Period This Page (optional) .....		100000.00	
TOTALS This Period (last page in this line only) .....		106747.01	
Carry outstanding balance only to LINE 3, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.			

FEC Schedule C (Form 3 ) Rev. 12/2003

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## SCHEDULE C (FEC Form 3 )

## LOANS

Use separate schedule(s)  
for each category of the  
Detailed Summary Page

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FOR LINE NUMBER:  
(check only one)☒ 13a  
☐ 13bNAME OF COMMITTEE (in Full)  
Huffman for Congress

Transaction ID: 80/10.5590

LOAN SOURCE Full Name (Last, First, Middle Initial) David Huffman		Section: <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) _____	
Mailing Address P.O. Box 442			
City Newton	State NC	ZIP Code 28558	
Original Amount of Loan 50000.00	Cumulative Payment To Date 0.00	Balance Outstanding at Close of This Period 50000.00	
TERMS Date Incurred 06 " 10 " 2004 " " None		Interest Rate 0 % (apr)	Secured: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
List All Endorsers or Guarantors (if any) to Loan Source Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City State ZIP Code		Amount Guaranteed Outstanding:	
Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City State ZIP Code		Amount Guaranteed Outstanding:	
Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City State ZIP Code		Amount Guaranteed Outstanding:	
Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City State ZIP Code		Amount Guaranteed Outstanding:	
SUBTOTALS This Period This Page (optional) .....		50000.00	
TOTALS This Period (last page in this line only) .....			
Carry outstanding balances only to LINE 2, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.			

FEC Schedule C Form 3 Rev. 02/2003

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## SCHEDULE C (FEC Form 3)

## LOANS

Use separate schedule(s)  
for each category of the  
Detailed Summary Page

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FOR LINE NUMBER:  
(check only one)☒ 13a  
☐ 13bNAME OF COMMITTEE (in Full)  
Huffman for Congress

Transaction ID: SC/10.5591

LOAN SOURCE Full Name (Last, First, Middle Initial) David Huffman		Election: <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) _____	
Mailing Address P.O. Box 442			
City Newton	State NC	ZIP Code 28655	
Original Amount of Loan 10000.00	Cumulative Payment To Date 0.00	Balance Outstanding at Close of This Period 10000.00	
<b>TERMS</b> Date Incurred      Date Due      Interest Rate      Secured: 06 "      09 "      2004 "      None      0      % (apx) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
List All Endorsers or Guarantors (if any) to Loan Source Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City      State      ZIP Code		Amount Guaranteed Outstanding:	
Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City      State      ZIP Code		Amount Guaranteed Outstanding:	
Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City      State      ZIP Code		Amount Guaranteed Outstanding:	
Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City      State      ZIP Code		Amount Guaranteed Outstanding:	
SUBTOTALS This Period This Page (optional) .....		10000.00	
TOTALS This Period (last page in this line only) .....			
Carry outstanding balances only to LINE 1, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.			

FEC Schedule C (Form 3) Rev. 12/2003

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## SCHEDULE C (FEC Form 3 )

## LOANS

Use separate schedule(s)  
for each category of the  
Detailed Summary Page

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FOR LINE NUMBER:  
(check only one)☒ 13a  
☐ 13bNAME OF COMMITTEE (is Full)  
Huffman for Congress

Transaction ID: 80110.5592

LOAN SOURCE Full Name (Last, First, Middle Initial) David Huffman		Section: <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) _____	
Mailing Address P.O. Box 442			
City Newton	State NC	ZIP Code	28655
Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period	
100000.00	0.00	100000.00	
<b>TERMS</b> Date Incurred      Date Due      Interest Rate      Secured: 06 "      17 "      2004 "      None      0      % (apr) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
List All Endorsers or Guarantors (if any) to Loan Source Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City      State      ZIP Code		Amount Guaranteed Outstanding:	
Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City      State      ZIP Code		Amount Guaranteed Outstanding:	
Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City      State      ZIP Code		Amount Guaranteed Outstanding:	
Full Name (Last, First, Middle Initial)		Name of Employer	
Mailing Address		Occupation	
City      State      ZIP Code		Amount Guaranteed Outstanding:	

SUBTOTALS This Period This Page (optional) .....	▶	100000.00
TOTALS This Period (last page in this line only) .....	▶	100000.00
Carry outstanding balances only to LINE 7, Schedule D, for this Rec. If no Schedule D, carry forward to appropriate line of Summary.		

FEC Schedule C ( Form 3 ) Rev. 9/2003

UNITED STATES HOUSE OF REPRESENTATIVES FINANCIAL DISCLOSURE STATEMENT		FORM B For use by candidates and new employees	
Period Covered: January 1, 2003 - May 31, 2004			
Lawrence David Huffman (Full Name)			
P.O. Box 442 Newton, NC 28658 (Mailing Address)			
Candidate for the House of Representatives		Daytime Telephone: 828-294-1150	
State: NC District: 10th		Date of Election: 7/24/04	
New officer or employee		Employing Office:	
Filer Status <input checked="" type="checkbox"/> Candidate for the House of Representatives <input type="checkbox"/> New officer or employee	Check if Amendment <input type="checkbox"/>		

A \$200 penalty shall be assessed against anybody who files more than 30 days late.

MAY 25 2004

LEGISLATIVE RESOURCE CENTER

2004 JUN -4 PM 3:25

OFFICE OF THE CLERK  
U.S. HOUSE OF REPRESENTATIVES  
(Office Use Only)

In all sections, please type or print clearly in black ink.

## PRELIMINARY INFORMATION — ANSWER EACH OF THESE QUESTIONS

I. Did you or your spouse have "earned" income (e.g., salaries or fees) of \$200 or more from any source in the reporting period? If yes, complete and attach Schedule I.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	IV. Did you hold any reportable positions on or before the date of filing in the current calendar year or in the prior two years? If yes, complete and attach Schedule IV.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
II. Did you, your spouse, or a dependent child receive "unearned" income of more than \$200 in the reporting period or hold any reportable asset worth more than \$1,000 at the end of the period? If yes, complete and attach Schedule II.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	V. Did you have any reportable agreement or arrangement with an outside entity? If yes, complete and attach Schedule V.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
III. Did you, your spouse, or a dependent child have any reportable liability (more than \$10,000) during the reporting period? If yes, complete and attach Schedule III.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	VI. Did you receive compensation of more than \$5,000 from a single source in the two prior years? If yes, complete and attach Schedule VI.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Each question in this part must be answered and the appropriate schedule attached for each "Yes" response.

## EXCLUSION OF SPOUSE, DEPENDENT, OR TRUST INFORMATION — ANSWER EACH OF THESE QUESTIONS

TRUSTS—Details regarding "Qualified Blind Trusts" approved by the Committee on Standards of Official Conduct and certain other "excepted trusts" need not be disclosed. Have you excluded from this report details of such a trust benefiting you, your spouse, or a dependent child? (See Instructions, pages 10-11.)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
EXEMPTION—Have you excluded from this report any other assets, "unearned" income, transactions, or liabilities of a spouse or dependent child because they meet all three tests for exemption?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

## CERTIFICATION — THIS DOCUMENT MUST BE SIGNED BY THE REPORTING INDIVIDUAL AND DATED

This Financial Disclosure Statement is required by the Ethics in Government Act of 1978, as amended. The Statement will be available to any requesting person upon written application and will be reviewed by the Committee on Standards of Official Conduct or its designee. Any individual who knowingly and willfully falsifies, or who knowingly and willfully fails to file this report may be subject to civil penalties and criminal sanctions (See 5 U.S.C. app. 4, § 104 and 18 U.S.C. § 1001).	
I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge and belief.	Signature of Reporting Individual <i>J. David Huffman</i> Date (Month, Day, Year) 5/24/2004

**SCHEDULE I—EARNED INCOME (INCLUDING HONORARIA)**

Names howrence D. Huffman Page 2 of 6

List the source, type, and amount of earned income, including honoraria, from any source (other than your current employment by the U.S. Government) totalling \$200 or more during the current year to the filing date *and*, separately, the preceding calendar year. For a spouse, list the source and amount of any honoraria; list only the source for other spouse earned income exceeding \$1,000.

[illegible]

**This page may be copied if more space is required.**

**SCHÉDULE II — ASSETS AND “UNEARNED” INCOME**

Name Lawrence D. Huffman

BLOCK A Asset and/or Income Source						BLOCK B Value of Asset		BLOCK C Type of Income		BLOCK D Amount of Income	
<p>Identify (a) each asset held for investment or production of income with a fair market value exceeding \$1,000 at the end of the reporting period, and (b) any other asset or source of income which generated more than \$200 in "unearned" income during the year. For rental property or land, provide an address. Provide full names of any mutual funds. For a self-directed IRA (i.e., one where you have the power to select the specific investments), provide information on each asset in the account that exceeds the reporting threshold, and the income earned for the account. For an IRA or retirement plan that is not self-directed, name the institution holding the account and provide its value at the end of the reporting period. For an active business that is not publicly traded, in Block A state the nature of the business and its geographic location. For additional information, see the instruction booklet for the reporting year.</p> <p><b>Exclude:</b> Your personal residence(s) (unless there is rental income); any debt owed to you by your spouse, or by your or your spouse's child, parent, or sibling; any deposits totaling \$5,000 or less in personal savings accounts; any financial interests in or income derived from U.S. Government retirement programs.</p> <p>If you so choose, you may indicate that an asset or income source is that of your spouse (SP) or dependent child (DC) or is jointly held (JT), in the optional column on the far left.</p>						<p>SP: _____ Examples: SP Mega Corp. Stock Simon &amp; Schuster 1st Bank of Pittsburgh, NY accounts</p>					
						<p>DC: _____ JT: _____</p>					
Prudential Securities 401-K											
JF Conn. Water Service											
JF Southern Co											
H SECU											
JF First Citizens Bank											
SP Edward Jones IRA											

**For additional assets and unearned income, use next page.**

**SCHEDULE II — ASSETS AND “UNEARNED” INCOME**

**Continuation Sheet (if needed)**

Name Lawrence D. Hyatt

Page 4 of 6

BLOCK A	BLOCK B	BLOCK C	BLOCK D	
Asset and/or Income Source	Value of Asset	Type of Income	Amount of Income	
			Current Year	Preceding Year
SP JT DC	A None	DIVIDENDS	I \$1 - \$2500	I None
	C \$1,001 - \$15,000		M \$1,001 - \$2,500	II \$201 - \$1,000
	E \$80,001 - \$100,000		VI \$6,001 - \$15,000	V \$2,501 - \$5,000
	G \$250,001 - \$500,000		VE \$50,001 - \$750,000	IV \$10,001 - \$25,000
	C \$1,000,001 - \$5,000,000		X \$1,000,001 - \$5,000,000	IX \$100,001 - \$1,000,000
	\$25,000,001 - \$50,000,000 &			R Over \$50,000,000
		DIVIDENDS		
		INTEREST		
		EXCEPTED TRUST		
		Other Type of Income (Specify)		
		Self employed		

**For additional assets and unearned income, use next page.**

# SCHEDULE III — LIABILITIES

Name Lawrence D. Huffman

Page 5 of 6

Report liabilities of over \$10,000 owed to any one creditor at any time during the reporting period by you, your spouse, or dependent child. Mark the highest amount owed during the reporting period. Exclude: Any mortgage on your personal residence (unless there is rental income); loans secured by automobiles, household furniture, or appliances; and liabilities owed to a spouse, or the child, parent, or sibling of you or your spouse. Report revolving charge accounts only if the balance at the close of the previous calendar year exceeded \$10,000.

SP, DC, JT	Creditor	Type of Liability	Amount of Liability					
			G — 100,000 to 199,999	E — 200,000 to 499,999	F — 500,000 to 999,999	G — 1,000,000 to 4,999,999	H — 5,000,000 to 9,999,999	I — 10,000,000 or over
	Example: First Bank of Wilmington, Delaware	Mortgage on 123 Main Street, Dover, Del.		X				
JT	STATE EMPLOYEES CREDIT UNION	MORTGAGE ON 467 SQUIRREL OVERLOOK, BOONVILLE, NC	X					

# SCHEDULE IV — POSITIONS

Report all positions, compensated or uncompensated, held on or before the date of filing during the current calendar year and in the two prior years as an officer, director, trustee of an organization, partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise, any nonprofit organization, any labor organization, or any educational or other institution other than the United States. Exclude: Positions held in any religious, social, fraternal, or political entities; positions solely of an honorary nature; and positions listed on Schedule I.

Position	Name of Organization
Board of Directors	National Sheriff's Association
Chairman	Catawba County Diabetes Association

Use additional sheets if more space is required.

**SCHEDULE V—AGREEMENTS**

Name LAURENCE D. HUFFMAN

Page 6 of 6

Identify the date, parties to, and general terms of any agreement or arrangement with respect to: future employment; a leave of absence during the period of government service; continuation or deferral of payments by a former or current employer other than the U.S. Government; or continuing participation in an employee welfare or benefit plan maintained by a former employer.

Date	Parties To	Terms of Agreement
	N/A	

**SCHEDULE VI—COMPENSATION IN EXCESS OF \$5,000 PAID BY ONE SOURCE**

Report sources of such compensation received by you or your business affiliation for services provided directly by you during the two prior years. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any nonprofit organization if you directly provided the services generating a fee or payment of more than \$5,000. Exclude: Payments by the U.S. Government and any information considered confidential as a result of a privileged relationship recognized by law.

Source (Name and Address)		Brief Description of Duties
Example: Doe Jones & Smith, Hometown, Homestate	Accounting services	
N/A		

28044191341





## CHAPTER 6

# Other Reportable Receipts

This chapter describes campaign receipts that are not considered contributions and, therefore, are not subject to contribution limits; all receipts must nevertheless be reported by the campaign.

### 1. Bank Loans

#### Conditions

A candidate or his or her committee may obtain a loan, including a line of credit, from a bank, provided that the loan:

- Bears the bank's usual and customary interest rate for the category of loan involved;
- Is evidenced by a written instrument;
- Is subject to a due date or amortization schedule; and
- Is made on a basis which assures repayment (see below).

100.82(a).

If a loan fails to meet any of these conditions, then a prohibited contribution from the lending institution results.

#### Methods of Assuring Repayment

A loan is made on a basis which assures repayment if it is obtained using one or more of the following authorized methods of securing the loan:

##### Traditional Methods

A committee may use one of the following traditional methods of securing the loan, or a combination of the two:

**Collateral.** A loan may be secured using assets of the candidate or the committee, such as real estate, personal property, cash on deposit, certificates of deposit and stocks. The fair market value of the assets must, on the date of the loan, equal or exceed the amount of the loan and any senior liens. The committee must ensure that the bank has established a "perfected security interest" in the collateral (that is, has taken steps to legally protect its interest in the collateral in the event that the committee defaults on the loan). 100.82(e)(1)(i).

Note that if a candidate obtains a loan using assets jointly owned with his or her spouse, the amount of the loan may not be greater than the candidate's share of the property (usually one half); otherwise, a contribution from the spouse results. 100.52(b)(4).

**Guarantees or Endorsements.** An endorsement or guarantee of a bank loan is considered a contribution by the endorser or guarantor and is thus subject to the law's prohibitions and limits on contributions. 100.82(e)(1)(ii).

##### Pledge of Future Receipts

If the committee pledges its future receipts as security for the loan, then the amount loaned by the bank may not exceed a reasonable estimate of anticipated receipts, based on documentation provided by the candidate or committee (such as cash flow charts or fundraising plans). 100.82(e)(2)(i) and (ii). Future receipts might include, for example, anticipated contributions or interest income.

The committee must also set up a separate account for the receipt of funds pledged for the repayment of the loan. The account may be established with either the lending institution or a different depository. If the account is established at a depository other than the lending institution, then the committee must execute an assignment of the account's funds to the lending institution and notify the depository of the assignment. The loan agreement must require the committee to deposit the pledged funds into the account established for this purpose. 100.82

## (e)(2)(iii).

**Other Methods of Assuring Repayment**

The Commission may, on a case-by-case basis, approve methods of assuring repayment other than those described above. 100.82(e)(3). See, for example, AO 1994-26. A committee should request an advisory opinion from the Commission before entering into a loan agreement that relies on alternative sources of repayment.

**Schedule C-1**

When a committee obtains a loan from a bank or other permissible lending institution (or the candidate obtains one on behalf of his or her committee), the committee must file Schedule C-1 with the report covering the period in which the loan was obtained.

If the loan is obtained by the committee (rather than by the candidate), the treasurer must sign the schedule and attach a copy of the loan or line of credit agreement. See Chapter 14. Schedule C-1 includes a statement to be signed by an officer of the lending institution certifying that the information provided by the committee is accurate and that the terms and conditions of the loan comply with FEC rules.

## 2. Brokerage Loans and Other Lines of Credit

Candidates may use funds derived from an advance on their brokerage account, credit card account or other line of credit to finance their campaigns, if the extension of credit is:

- In accordance with applicable law;
- Under commercially reasonable terms; and
- Made by persons who make such loans in the normal course of their business.

**100.83.**

The candidate's authorized committee has the option of repaying loans derived from a candidate's brokerage account or other line of credit directly to the lending institution or to the candidate. 100.83(d). All such loans used in connection with the candidate's campaign must be reported by the committee. 100.83(e). The committee must report the loan from the candidate as a receipt and repayment of the loan to the candidate as a disbursement. 104.3(a)(3)(vi) and (b)(2)(iii)(A). See Chapter 14, Section 16 "Reporting Brokerage Loans and Other Lines of Credit."

## 3. Overdrafts

If a bank honors a check written by a political committee with insufficient funds in its checking or savings account, no contribution from the bank results as long as the overdraft:

- Is made on an account subject to automatic overdraft protection;
- Is subject to a definite interest rate which is the usual and customary rate; and
- Is subject to a definite repayment schedule.

100.82(d). An overdraft that does not meet the above conditions is a prohibited contribution. 114.2. Note that if the overdraft protection is based on a line of credit extended by the bank, draws on that line of credit must be disclosed on Schedule C-1, as discussed above.

## 4. Interest and Dividend Income

Interest earned on invested funds and dividends earned on securities are not considered *contributions*.<sup>1</sup> 2 U.S.C. §§434(b)(2)(J) and 434(b)(3)(G).

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## 5. Offsets to Operating Expenditures

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Offsets to *operating expenditures*, such as returns by vendors of deposits, refunds and rebates, are not considered contributions. Note, however, that rebates to campaigns must be offered in the ordinary course of business and on the same terms and conditions as those offered to nonpolitical entities. Otherwise, the rebate may be considered a contribution—a prohibited contribution if a corporation pays the rebate. See, for example, *Advisory Opinions* (AOs) 1996-2, 1994-10, 1987-24 and 1986-22.

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## 6. Legal and Accounting Services

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The value of legal and accounting services provided without charge in accordance with the guidelines described in the next chapter is not a contribution. 100.86 and 114.1(a)(2)(vii).

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

May 4, 2004

RQ-2

Michael A. Sherrill, Treasurer  
Huffman for Congress  
PO Box 442  
Newton, NC 28658

Response Due Date:  
June 3, 2004

Identification Number: C00398776

Reference: April Quarterly Report (1/1/04-3/31/04)

Dear Mr. Sherrill:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. This notice requests information essential to full public disclosure of your federal election campaign finances. An adequate response must be received at the Commission by the response date noted above. An itemization of the information needed follows:

-Schedule C of your report fails to include information required by Commission Regulations. With every report submitted, you must provide the date incurred, the original source and amount of the loan, the due date, the interest rate, the cumulative payment, and the outstanding balance. In addition, if there are any endorser or guarantors, their mailing address along with the name of their employer and occupation must be disclosed. Please amend your report to include the due date and interest rate. (11 CFR §§ 100.52(a), 100.52(b) and 104.3(d))

Unlike previous election cycles, you will not receive an additional notice from the Commission on this matter. Adequate responses received on or before this date will be taken into consideration in determining whether audit action will be initiated. Requests for extensions of time in which to respond will not be considered. Failure to provide an adequate response by this date may result in an audit of the committee. Failure to comply with the provisions of the Act may also result in an enforcement action against the committee. Any response submitted by your committee will be placed on the public record and will be considered by the Commission prior to taking enforcement action.

Electronic filers must file amendments (to include statements, designations and

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## High stakes

***Candidates ante up \$1.4 million of their own money in Republican primary.***

BY ANDREW MACKIE

RECORD STAFF WRITER

Sunday, July 18, 2004

HICKORY -- Republican candidates in the 10th District Congressional race are playing a high-stakes game of political poker, betting their own money that they'll be victorious this week.

The four candidates combined to raise more than \$2.3 million as of the end of June. Of that amount, \$1.4 million came from their pockets.

Leading the group is George Moretz, chairman of Carolina Mills. He had raised nearly \$1 million, of which \$760,000 he contributed or loaned his campaign.

Since the beginning of the month, Moretz invested another \$140,000 into his campaign.

While Moretz has anted the most, Catawba County Sheriff David Huffman may be the local candidate with the most at stake.

He borrowed \$266,000, more than 60 percent of his \$423,543 raised, to help fund his campaign.

Huffman borrowed \$100,000 against his retirement earlier this year, he said. He says another \$166,000 came from a bank loan.

Another politician with much in the pot is N.C. Rep. Patrick McHenry, who loaned his campaign \$96,000 of the \$266,000 raised.

Sandy Lyons, former chief executive officer of Corning Cable Systems, loaned his campaign \$345,000 of the \$656,000 raised.

For Moretz, his investment was a little more money than initially expected.

"It's probably more money than I anticipated when I entered the race," he said.

Irritated by U.S. Rep. Cass Ballenger's support of some free trade agreements, Moretz threw his hat in the ring last fall.

He did so with little name recognition. In facing David Huffman, he opposes someone with 26 years of political experience.

"It is quite a challenge to overcome that head start," Moretz said.

He has relied on television and radio advertising for months.

Moretz said his business duties deny him the ability to perform grass-roots campaigning.

"I've had to use the media to get the message out," he said. "My campaign has probably been more expensive than the others for that reason. I want to say that I've done everything that I could to win this race."

Huffman said his personal investment is a display of commitment.

"I've received money from people who can't afford to give me money," Huffman said.

"I feel obliged to put my money in with theirs."

Huffman said the investment is a show of confidence that he will win.

Elected officials can hold fund-raisers to pay themselves back the money they loaned their campaigns, but only up to \$250,000.

"We have to take a chance to win and make a difference," Huffman said.

McHenry, 28, said the money put a burden on him financially.

"I want people to see that I'm contributing as much time and as much money as I can," he said.

"It certainly is a risk, but I believe so much in what I'm fighting for, I'm willing to put a lot on the line."

Lyons started and sold his own business in the 1990s, so putting his share of the money up wasn't as taxing. He doesn't view it as a gamble.

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"I consider it a commitment to the campaign," he said. "It's not a good business decision, but it's the right decision."

The candidates understand the winner could spend years in office serving the Republican-dominated district. Only two politicians, both Republicans, have represented the 10th District during the past 40 years.

U.S. Rep. Cass Ballenger has served since 1986. Before him, Jim Broyhill held the position for 24 years.

Neither was ever seriously threatened in re-election bids.

This year's Democratic candidates, John Cole and Anne Fischer, on the other hand, have yet to file federal campaign reports, meaning they have not raised at least \$5,000.

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